

## Automotive Trade

The Parties have agreed to:

- eliminate original equipment tariffs over 10 years, eliminate tariffs on tires over 10 years, and eliminate aftermarket parts tariffs over 5 years;
- phase-out the embargo on the import of used cars into Canada over 5 years;
- terminate duty waivers linked to exports to the other party upon implementation of the agreement;
- not grant other automotive duty waivers and not expand existing arrangements; and
- change duty drawback and Foreign Trade Zones consistent with the general provisions of the Agreement.

Canada has agreed to terminate production-based duty waivers by 1996 or according to the schedules negotiated between the companies concerned and the Government of Canada, whichever is sooner.

Canada has agreed that no additional companies producing vehicles in Canada may qualify as eligible manufacturers under provisions similar to those in the Auto Pact. The United States undertakes not to introduce comparable programs without consultations.

The parties have agreed to apply a new rule of origin for vehicles traded under the provisions of the FTA Agreement based on 50 percent of direct cost of manufacturing.

The parties recognize the continued importance of automotive trade and production for the respective economies of the two countries and the need to ensure that the industry in both countries should prosper in the future. As the worldwide industry is evolving very rapidly, the two Governments have agreed to establish a Blue Ribbon Panel to assess the state of the North